**Compliments of The First National Bank in Minneapolis, Minn.**
Correspondent of The National City Bank of New York

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# Economic Conditions
# Governmental Finance
# United States Securities



New York, September, 1925

## General Business Conditions

THE general outlook for business continues to be very satisfactory to those who have steadfastly maintained that 1925 would give a good account of itself. Pessimism has been fading out since the crop prospects began to improve in the latter part of May, and confidence is now well established, although not aggressive enough in trade circles to work any pronounced change in buying policies. The opinion prevails that conditions are favorable to a large volume of business this Fall—probably the largest ever handled—but the productive capacity of the country is now thought to be so large in all lines that there is no uneasiness about ability to get goods as wanted, or at the present price level.

This continued absence of the speculative spirit in the goods markets is the dominating feature of the commercial situation and also of the credit situation. Money is slightly firmer than a month ago, and doubtless the demand will strengthen as business gets into the Fall season, but a mere increase of the volume of goods in distribution does not ordinarily cause any very pronounced increase in the use of credit. It is increased buying against future needs, and rising prices, which cause credit expansion on an unusual scale, and at this time there are no signs of these influences coming into play. The volume of trade moving is large now, and the facilities for handling more on the present short-order basis are ample.

A state of monetary ease exists over the country, partly the result of the liquidation of slow paper which has been going on during the past year. It is true that all of these funds are employed in some way, and that a withdrawal of funds from the centers might quickly affect quotations, but the low discount rates of the Reserve banks forbid the idea of any very tight situation.

During the past month the Bank of England has reduced its discount rate from 5 to 4½ per cent, and as the open market for bills is only about 3¾ per cent and the call market 3½ per cent, there is some talk of a further reduction. American banks have been employing important sums in the London market during the past year and longer, induced by higher rates there than here, and last year by the prospects for profits by the rise of sterling exchange. Now that sterling has reached par and interest rates have declined over there, it may be expected that these funds will be brought home as wanted here, and thus may be considered an additional supply. So long as there are no signs of inflation in commodity prices, the Reserve bank rates probably will not be advanced, in view of the reduction made by the Bank of England, with which our reserve system is at present pledged to a degree of co-operation.

The Bureau of Labor price index has shown a rise in "all commodities" since the low point of the year in May, but it is almost all in farm products. The figures by classes of products, showing prices at the peak in 1920, at the low point in 1922, in July, 1924, May and July, 1925, are given herewith:

| Group | May, 1920 | Jan., 1922 | July, 1924 | May, 1925 | July, 1925 |
|---|---|---|---|---|---|
| Farm products | 241 | 122 | 140.9 | 151.9 | 161.8 |
| Food, etc. | 248 | 131 | 138.7 | 153.2 | 157.3 |
| Cloths & clothing | 328 | 176 | 187.5 | 188.4 | 188.8 |
| Fuel and lighting | 239 | 195 | 173.2 | 168.2 | 172.1 |
| Met. & met. prod | 202 | 112 | 130.4 | 127.2 | 126.4 |
| Building materials | 293 | 157 | 168.8 | 173.6 | 170.1 |
| Chem. and drugs | 213 | 124 | 126.5 | 133.1 | 133.3 |
| House furn'g gds | 247 | 178 | 170.8 | 170.5 | 169.2 |
| Miscellaneous | 208 | 117 | 112.4 | 131.3 | 143.4 |
| All commodities | 247 | 138 | 147.0 | 155.2 | 159.0 |

Rubber was one of the important factors in the rise of "miscellaneous" commodities between May and July, 1925. The list as a whole, however, does not indicate price inflation, and the temper of the business community is still against it.

The principal factor in the prevailing state of confidence is the restoration of practically balanced relations between agriculture and the other industries. A recent publication of the Department of Agriculture gives a calculation showing that farm production in 1924 had a relative exchange value in terms of non-agricultural products amounting to about 1 per cent above the average of the 5 years 1910-

1914. On the whole the comparison for the year 1925 probably will be more favorable to the farm than that for 1924. In view of these figures it would seem to be time to cease talking about a program of special relief for agriculture.

Shipments of agricultural implements and vehicles from Minneapolis in the first seven months of this year aggregated 2,241 car-loads, against 1,763 car-loads in all of 1924.

## Debt Settlement With Belgium

The official commissions appointed by the Governments of Belgium and the United States to arrange a settlement of the debts owing by the former country to the latter, held their first meeting on Monday, August 10th, at Washington, D. C., and the agreement reached by them was signed on Tuesday, August 18. In fact, the commissioners were only a few days in arriving at the terms of settlement, as several days were required in submitting them to President Coolidge in Vermont and to the King and Cabinet at Brussels, and in the preparation of the formal papers. It is evident therefore that common ground was found without difficulty, which makes the settlement eminently satisfactory on both sides.

The cash advances of the United States Government to the date of the armistice aggregated $171,780,000 and the cash advances after the armistice aggregated $175,430,808.68. In addition, sales of war material and accrued interest brought the net sum of the post-war account to $246,017,234.66. It was agreed that $17,234.66 should be paid upon this at the execution of the agreement, leaving the even sum of $246,000,000 as the principal of the post-war debt.

### The Pre-Armistice Debt

The situation over the pre-armistice debt was complicated by an understanding between the British, French and Belgian premiers and President Wilson, arrived at in Paris when the Treaty of Versailles was pending, to the effect that each of these officials would recommend to his Government that it should release Belgium from its debt and look to Germany for reimbursement through Belgium's share of reparations. It is not questioned that Belgium signed the treaty on the strength of this arrangement. The Governments of Great Britain and France ratified the agreement, and have released Belgium in accordance with the terms. The Senate of the United States, however, did not ratify the Versailles treaty, and the Congress in its instructions to the Debt Funding Commission expressly provided that no substitution of debtors should be made.

Although the authorities of Belgium were aware that under the Constitution of the United States the President alone did not have power to execute a treaty, and President Wilson's promise was only to recommend the provision in question to the Congress, the fact that Belgium acted on the strength of the promise was deemed by the United States Commissioners to be a consideration justifying special terms upon the pre-armistice debt. They accordingly agreed to accept the principal in payments spread over 62 years without any interest charge. These payments begin with $1,000,000 on June 15, 1926, increase gradually to $2,900,000 in 1932, and continue annually at this rate until the debt is discharged in 1987. They will average less than 1¾ per cent per annum, and when it is considered that this is not interest, but principal, the terms certainly are not oppressive.

The action of the United States in declining to accept a share of German reparation payments in substitution for this pre-armistice debt does not mean that Belgian tax-payers must make up the amount. Belgium will now receive this share of the reparation payments, as collected, and it may cover the payments to this country before they have to be made under the agreed schedule. The United States is consistently declining to accept the assignment of claims, wishing to avoid complications by dealing direct with its original debtors.

### The Post-Armistice Debt

The post-war debt is in a different class economically from the war debt, for, while the latter represents destructive expenditures, the former represents capital borrowed to aid the government over the period of reconstruction, while it was reorganizing its revenue and monetary system and resuming its normal functions. In this sense it was capital applied for productive purposes. Nevertheless, important concessions have been made in the interest charges of this debt also, and the payments have been arranged to afford practically a moratorium over the earlier years.

The first payment of principal is $1,100,000 in 1926, after which come three annual payments of $1,200,000 each, then three of $1,300,000 each, then two of $1,400,000, making only $12,500,000 in ten years. In the following ten years they rise gradually to $2,200,000 in 1945, and in the third ten years to $3,100,000 in 1955. By the same gradual process they reach $4,400,000 in 1965, $6,300,000 in 1975, and $9,600,000 as the final payment in 1987. As the payments on principal increase the interest payments of course diminish.

The interest charges in the first ten years are arbitrary amounts, to be met in two payments annually. The payments for the first

year, to be made on December 15, 1925, and June 15, 1926, are $870,000 each, or for the year less than three-fourths of 1 per cent. The next year they aggregate $2,000,000, still less than 1 per cent, and increase gradually until in 1935 they amount to about 2¼ per cent. After 1935 they are at the annual rate of 3½ per cent. In 1935 the aggregate amount to be paid, principal and interest upon both debts, will be only $9,550,000, not a very great sum in its relation to the foreign trade of Belgium, which in 1924 aggregated about $1,500,000,000. It is reasonable to assume that by 1935 the world will have recovered its equilibrium and be achieving industrial progress more rapidly than ever before, and that Belgium, one of the most highly industrialized countries, will be sharing largely in the benefits.

On the other hand it must be considered that Belgium's financial position at this time is not a strong one. The country has not yet attained a budgetary balance or stabilized its currency, and in foreign trade last year its credits were $647,000,000 and debits $816,000,000. Obviously it has some distance to go before it will be in condition to reduce its foreign obligations.

While every dollar loaned by the United States Government was borrowed in the public market, and the original bond issues are drawing 4¼ per cent interest, the Treasury has been and will be able as these issues are refunded to obtain lower rates. The entire public debt probably will be ultimately on a basis as low as 3½ per cent. The agreement anticipates this.

If there are any people in Belgium who are disposed to think that the United States has not been liberal in this settlement, they may properly consider that the United States expended over $30,000,000,000 upon its own part in the war—a war which it entered for no selfish purpose and from it has sought no gain. If individuals derived profits from war conditions, the same was true in all countries, but if the gains and losses of the war and post-war periods are both reckoned they afford no basis for the opinion that the United States was a gainer by the war. The profits were of a very illusory kind.

Judging by the comments thus far made, the people of the United States will heartily approve of the settlement recommended. They have desired an agreement which would recognize the sanctity of obligations as the basis of international relations, but whose terms would impose no real hardship upon the gallant little people whose bravery and fortitude have inspired their admiration and regard.

### Other Debt Settlements

The consummation of the agreement with Belgium is expected to inaugurate a general season of negotiations for the settlement of inter-governmental accounts. France is in negotiations with Great Britain, and M. Caillaux, the French Minister of Finance, is expected to visit this country during the coming month for this purpose. The principal sum loaned to France under the terms of the Liberty bond acts is $2,933,171,672.48, of which $1,027,477,800 was loaned after the armistice. Sales of war material aggregate $407,341,145, upon which interest has been regularly paid as it came due. Interest accumulations bring the total up to something over $4,000,000,000. Obviously, this is a larger undertaking than the one just concluded, but it is expected that the same considerate policy, making the payments so easy as to amount practically to a moratorium until the period of disturbed trade relations has passed, will reassure the representatives of France and enable an agreement to be reached.

### Postponing the Real Problem

It is evident that in arranging these settlements all parties must look into the future with the confidence to believe that great reinforcements are coming to the wealth-producing resources of the world within the periods contemplated for these payments. It is characteristic of scientific and industrial progress that it proceeds with constantly increasing rapidity. Every bit of new knowledge points the way to more. Every new post gained in the region of the unknown becomes a base for new and fruitful explorations. Every new discovery has a thousand applications. Without indulging in mere speculation, but reasoning from the rapidly widening range of scientific achievement, it cannot be doubted that the productivity of industry will increase with like rapidity. This prospective development is a factor in the debt situation. The policy of the United States negotiators is to give time for these developments, not asking that large payments be made under present conditions or from existing resources, but at times when there is reason to believe that they will be relatively insignificant in the volume of international transactions, and can be made without sacrifice or hardship.

### Payment in Goods or Services

Much has been written about the payment of international debts in goods or services, and last month we gave extended quotations bearing upon the necessity that reparation payments shall be made in this way. There is no room for argument over it, and of course the principle applies to all international payments.

The possibility that large payments of principal and interest upon the war debts, made in the form of foreign goods, might be a disturbing factor in the industrial situation has caused some disquietude, but the British

and Belgian settlements, and reasonable probabilities as to the distribution of payments under the other settlements in prospect, indicate that no great increase of imports is impending on their account. Moreover, the growing familiarity of the American market with foreign loans indicates that probably even the small reduction of this indebtedness which is planned for the next ten or twenty years may be postponed to some more remote time. In other words, there is a probability that the debts to the United States Government, as they mature, may be shifted to the United States public market.

This does not signify that the economists have been wrong in saying that reparations and debts can be paid only in goods or services. It signifies only that there is a way of postponing the payment of national debts, as of private debts, by obtaining renewals, or by shifting the debts to new creditors. Of course this is not a new discovery.

### Triangular Settlements

Nor does it signify that the much-talked of "triangular" method of settling obligations has proved to be the solution of the problem of paying debts in the face of an export trade balance. The triangular method is very good as far as it goes, but falls short of covering such a situation, for example, as that presented by the trade of the United States with the principal grand divisions of the world, in the fiscal year ended June 30, 1925, as shown by the following table:

**FOREIGN TRADE OF THE UNITED STATES**
**FISCAL YEAR ENDED JUNE 30, 1925**

| | Imports from | Exports to | Balance |
|---|---|---|---|
| Europe | $1,170,455,022 | $2,660,133,840 | +$1,489,678,818 |
| No. America | 960,025,813 | 1,142,399,291 | + 182,373,478 |
| So. America | 495,636,656 | 360,410,788 | — 135,225,868 |
| Asia | 1,048,142,698 | 457,617,173 | — 590,525,525 |
| Oceana | 65,437,139 | 167,002,281 | + 101,565,142 |
| Africa | 84,442,811 | 77,268,086 | — 7,174,725 |
| | $3,824,140,139 | $4,864,831,459 | +$1,040,691,320 |

The United States had credit balances in the trade with Europe, North America and Oceana, aggregating $1,773,617,438, and debit balances with South America, Asia and Australia aggregating $732,926,118. It would be safe to offer a prize for any scheme of triangulation by which the debit balances would be made to cancel the credit balances, for it never would be claimed. Triangulation is beyond its depth in these waters.

There are, however, other factors in the international settlements besides the movements of merchandise. The Department of Commerce has compiled a balance sheet each year for several years which gives, probably with as high a degree of accuracy as can be, the several items which enter into the international settlements. This balance sheet for the year 1924 has been referred to as demonstrating that in some occult but effective manner the bankers had been able to collect the interest payments running to the United States, despite the fact that the balance of payments on all accounts seemed to be in favor of this country.

Naturally, we welcome any tribute to the ability and services of bankers, and particularly the international bankers, whose services, we have been grieved to note, are not always appreciated. We would rather, however, have them credited with what they actually have done than with any manipulation which is beyond the ordinary understanding.

The following table is made from the balance sheet compiled by the Department of Commerce, although with some slight rearrangement:

**Summary of International Transactions, Between United States and Other Countries, Calendar Year 1924**

| | Balance | |
|---|---|---|
| CURRENT ACCOUNT: | | |
| Total Merchandise (including silver) | +$1,006,000,000 | |
| Total Invisible | — 388 000,000 | |
| NET | +$ 618,000,000 | |
| CAPITAL ITEMS: | | |
| New Loans | — 795,000,000 | |
| Net of trading both ways in outstanding securities, and payments of principal of foreign debts | + 223,000,000 | |
| NET | —$ 572,000,000 | |
| Net plus on all above | | $ 46,000,000 |
| Gold Imports | | 258,000,000 |
| FINAL NET MINUS | | $212,000,000 |

The current account plus sum is the net in our favor on merchandise trade; the minus sum is the net against us upon all the so-called "invisible" items, including interest, dividends, tourists' expenditures, gifts, commissions, ocean freight charges, etc., etc.

In the capital items the minus sum is on account of new foreign loans placed in this country. Having loaned this aggregate sum, it was placed to the credit of foreign accounts, subject to draft—in other words it was paid to them. The plus item under this heading is the net result of purchases and sales both ways of outstanding securities. Foreigners bought and sold securities in this market and our people bought and sold in foreign markets. Payments on the principal of foreign debts also occurred. The net amount coming to us on both current and capital account was $46,000,000, but in fact we received from abroad $258,000,000 in gold, from which resulted a net debit to us on the year's total of $212,000,000. This amount, according to the Department of Commerce, was represented by increased foreign balances in American banks.

Is there any mystery about this outcome? Not at all. Foreigners sent us $258,000,000 of gold on balance and we loaned them $795,-000,000, and they were able to thus settle the year's score and have an unexpended balance $212,000,000 greater than at the beginning of the year. The skill of the American bankers consisted mainly in selling the new foreign loans. As long as they can continue to do this in ample quantities foreign countries will be able to settle, not only the trade balance running in our favor, but the interest coming to us. The government settlements will be a relatively small factor in the situation for many years.

It is not out of place to repeat that no real reduction of the aggregate of foreign indebtedness to the United States can be made so long as our international balance sheet shows the net balance of all payments, other than those on account of new loans, to be in our favor.

The settlements with European governments are being made with proper regard for existing conditions and their present ability to make payments. They look forward to a time when the production and trade of the world will have largely increased and trade relations may be very different from what they are now. No other scheme of settlement would be practical now.

It will be for the statesmen of the future to find a way to reverse the trade balance if it does not reverse itself naturally, and to thereby accomplish the actual collection of the debts.

## The McFadden Bill

The McFadden bill dealing with branch banking and effecting some minor amendments to the Federal Reserve act failed to pass both houses of the last Congress, and it is understood will be re-introduced at the next session. The American Bankers' Association is on record as favoring this bill and may be expected to maintain this attitude. The provision as to branch banking simply extends to national banks equal privileges with state banks in states where the latter are permitted to have branches.

In the closing days of the last Congress the author of this bill, Congressman McFadden, introduced another bill which proposes certain important changes in the Federal Reserve act and which it is understood will be brought to the consideration of the American Bankers' Association at its convention at Atlantic City this month. It is important that the two measures shall not be confused, and that there shall be a clear understanding of the new measure.

The changes proposed in the new McFadden bill have been introduced as virtually effecting a repeal of the 1917 amendments to the reserve act and the idea has been conveyed that like other emergency legislation of the war time they should be repealed because no longer of any use or unsuited to peace conditions. This representation is incorrect.

One of the most important of these changes is that authorizing member banks to keep 4C per cent of the required legal reserves in their own vaults. Prior to the amendments of 1917 the member banks were required to keep certain fixed percentages of the legal reserves in the reserve banks, but allowed to keep the remainder in their own vaults. This was changed, making nothing good as reserves but a credit at the reserve bank, but as compensation for taking away the reserve quality of till money the legal requirements were materially reduced, as shown by the following statement:

**Reserves Required on Net Demand Deposits**

| | Prior to 1917 amendments % | | After 1917 amendments % |
|---|---|---|---|
| Central reserve city banks | 18 | of which 6 must be in vault | 13 |
| Reserve city banks | 15 | of which 5 must be in vault | 10 |
| Country banks | 12 | of which 4 must be in vault | 7 |

The required reserve on time deposits was 5 per cent. before 1917 and 3 per cent. after.

The new measure does not propose to restore the reserve requirements which were in force before the 1917 amendments, but would allow 40 per cent of the present requirements to be held by the member banks in their own hands. The effect would be to release an amount of reserves practically equal what the banks are now carrying as till money.

The amendments of 1917 undoubtedly facilitated inflation, and presumably were intended to do so, as a means of financing the Treasury through the war. This McFadden bill would simply enlarge the facilities for inflation at a time when there is no reason or justification for so doing. The average vault holdings of cash by the member banks in 1924 was $531,-000,000, and to make reserves of this would increase the lending power of the banks tc precisely the same extent as would the importation of an equal amount of gold. It is generally agreed among bankers that further importations of gold are undesirable, as tending to inflation and unfavorable effects upon our trade. It is impossible to see how any one who holds this view can favor reducing the reserves.

The reduction would come out of the holdings of the reserve banks, thus weakening the ultimate reserves of the system while increasing the probable demands upon them. Credit expansion and rising prices would tend tc cause gold exports, and these exports almost certainly would be taken from the reserve banks.

#### Federal Reserve Note Issues

Another objectionable purpose of the bill is that of repealing the direct authority under which the reserve banks now exchange their notes for gold. It would wipe out all provision for note issues except as made in process of extending loan or rediscount accommodations to member banks. It is the common policy of central banks to buy gold with their own notes, and one of the chief means relied upon to maintain their reserves. When a bank of issue obtains gold by giving its own notes in even exchange it puts itself in position to issue more notes, if occasion may arise, without obtaining gold for them. This enables it to support the entire banking system by supplying currency to pay off deposits in an emergency. Every time it obtains gold in this manner it strengthens its resources as the ultimate holder of the country's reserves. It is of very great importance, with this country holding so large a proportion of the world's stock of gold, that these holdings shall be mobilized in such manner that if heavy drafts should be made upon them the reserves remaining and in sight would still be so large that no uneasiness would be felt. The plan of the Federal Reserve act is that ultimately Federal Reserve notes shall constitute the sole, or at least chief, currency of the country, and this would require that the gold reserves be concentrated in the Federal Reserve banks. This occurs naturally if these banks give their notes in exchange for all the gold offered. They are the natural custodians of the country's stock of gold, and as already said, this is true of the central banks of all countries having responsibility for the currencies.

## The Bond Market

Renewed buying vigor during recent weeks after a period of mid-summer lassitude seems to indicate that market flabbiness was due more to lethargy on the part of bond buyers and sellers than to any organic weakness in the situation. Apparently there will be no lack of funds to absorb the offerings of the Fall season.

The market during the month was a slightly declining one. The Dow-Jones average for 40 listed domestic corporate issues (10 high grade rails, 10 second grade rails, 10 industrials and 10 public utilities) on August 25th was 91.97 as compared with 92.29 on July 25th and 90.19 on August 25th a year ago. There was somewhat of a softening in municipal prices under a substantially diminished volume during most of the month, and some increased liquidation in United States securities during the first few weeks of August, but the end of the month finds renewed buying in this department, with prices only fractionally lower than they were a month ago. Buying for the sinking fund has been a factor.

The settlements with Great Britain and Belgium, the progress toward a settlement between Great Britain and France, and the approaching negotiations between the United States, France and Italy, all signify that real headway is being made in clearing up the state of confusion in which the financial affairs of Europe have been involved. The evidence of desire on the part of the debtor countries to discharge these governmental obligations, and of disposition on the part of the creditor countries to arrange terms which will not interfere with trade or affect the general credit of the debtors in financial markets, is taken as favorable to the position of all foreign securities. European bonds, and particularly the French and Belgians, have shown a slightly upward tendency.

#### Convertible Issues

In the domestic market, convertible issues have shown rapidly increasing popularity due to the demand for such securities from those speculative buyers who want to retain a "call" on future prosperity without risking their money in an uncertain stock market. Those, for instance, who wish to profit from a revival in the copper market when, as, and if it occurs, but yet are somewhat skeptical of its revival, are actively buying the Chile Copper Convertible 6s, thereby obtaining first mortgage security on a great low-cost producer and 6½-year call on the stock at the current market. The new Andes Copper Convertible 7s also show increasing popularity. Among the larger new offerings of the month was a $25,000,000 issue of International Telephone and Telegraph Convertible Debenture 5½s which carried the privilege of conversion into common stock after March 1st next at a price actually under the market for the stock on the day the offerings was made. The issue enjoyed an exceedingly heavy over-subscription and showed an almost immediate market appreciation. Another convertible offering was an issue of $25,000.000 Tide Water Oil Company Convertible 5% Preferred Stock. This issue carries a conversion privilege into common stock arranged on a sliding scale and beginning at a figure only a little above the current market. Among the rails, old outstanding convertible issues showed renewed activity, particularly Chesapeake and Ohio Convertible 5s and Norfolk and Western Convertible 6s.

#### Bond Prices

It does not now appear probable that the commercial demand for money will be an important factor in bond prices in the immediate future. Some tendency was evident last

winter for banks to reduce their bond-holdings, but later the weekly reports of member banks showed an increasing tendency. In recent weeks they have shown little change. The recent declining tendency of interest rates in London is expected to cause the return of considerable sums which American banks have been employing there, and this will tend to ease the Fall conditions here. It is more probable that member banks will resort to the Reserve banks for temporary accommodations than that they will sell bonds to provide funds for what seems likely to be temporary needs. The interest situation is referred to elsewhere.

Among important new issues offered during the month were the following:

**New Issues, August**

| | |
|---|---|
| $ 9,270,000 | Chicago, Milwaukee & St. Paul Ry. Equip. Tr. 5s, Series "D," due $618,000 each August 1, 1926 to 1940, incl., prices to yield from 4.50% to 5.25%, according to maturity. |
| 13,200,000 | Monongahela West Penn Public Service Co. 1st Lien & Ref. Series "B" 5½s, due February 1, 1953, price 98 and interest, to yield about 5.65%. |
| 24,000,000 | Toyko Electric Light Co., Ltd., 3 year 6% Notes, due August 1, 1928, price 97⅞ and interest, to yield over 6.40%. |
| 7,500,000 | Virginian Railway Co. 1st Mtg. 50 year Series "A" 5s, due May 1, 1962, price 98 and interest, to yield 5⅛%. |
| 8,978,000 | City of Baltimore, Md., 4s, due 1933 to 1939, incl., and 5s, due 1943 to 1945 and 1961, prices on 4s to yield 4.15% and 5s 4.20%. |
| 10,000,000 | Southeastern Power & Light Co. Deb. Series "A" 6s, due Sept. 1, 2025, price 96½ and interest, to yield over 6.20%. |
| 6,000,000 | Chicago, Illinois, Sanitary District 4s, due 1926 to 1945, offered at prices to yield 4% to 4.15%. |
| 25,000,000 | International Telephone & Telegraph Corp. 20 year Conv. Deb. 5½s, due September 1, 1945, price 99 and interest, to yield over 5.58%. |
| 25,221,500 | Tide Water Oil Co. 5% Cum. Conv. Non-Voting Preferred Stock, price 100 and accrued dividend. |
| 8,700,000 | City of Munich, Germany, Ext. Serial 7s, due $435,000 each August 1, 1926 to 1945, incl., prices to yield from 7% to 7.65%, according to maturity. |

## Railroad Conditions

Gross earnings of the railroads of the country in the first six months of 1925 have increased by $41,000,000, or 9 per cent, and net earnings have increased by $29,000,000 or 29 per cent. It is commonly true of business that an increased volume can be handled at lower cost, but especially characteristic of railroad business, where so much of the cost is in fixed investment. Moreover, owing to unusually heavy expenditures on maintenance since 1922 the roads have been able to reduce such expenditures in the last year, and perhaps below the average requirement. The Northwestern railroads alone have failed to share, in any marked degree, in this improvement.

The conditions prevailing in that section during the past two years may be gauged by the fact that three great companies have been compelled to reduce their dividends, one company has suspended dividends completely and two companies have been driven into receivership. In 1924 the Northwestern roads earned only 3.18 per cent on their investment, and in the first half of 1925 at the rate of 2.14 per cent.

The present situation of the Northwestern railroads in comparison with the other groupings is shown in the following table, compiled by the Bureau of Railway Economics:

**Net earnings—6 months ended June 30, 1925 and 1924**

| Region and District | Rate of Return (Annual basis) | |
|---|---|---|
| New England Region | 4.43% | 3.82% |
| Great Lakes Region | 5.47 | 5.08 |
| Central Eastern Region | 4.58 | 4.23 |
| Pocahontas Region | 6.70 | 5.35 |
| Total Eastern District (Inc. Pocahontas Region) | 5.10 | 4.60 |
| Southern Dist. (Exc. Pocahontas Reg.) | 5.55 | 5.25 |
| Northwestern Region | 2.48 | 2.26 |
| Central Western Region | 3.42 | 3.60 |
| Southwestern Region | 4.38 | 3.69 |
| Total Western District | 3.33 | 3.10 |
| United States | 4.46 | 4.12 |

Rate of return (annual basis) is computed on the investment of the carriers as shown by their books including materials and supplies and cash, as of the beginning of the year, and is computed so as to reflect seasonal fluctuations in traffice and earnings.

The western carriers are now making a concerted effort to obtain freight rate increases. A petition is before the Interstate Commerce Commission and hearings are scheduled to begin in Chicago on September 8.

By the terms of the Transportation Act the carriers are entitled to a fair return, which has been fixed by the Interstate Commerce Commission as 5¾ per cent on the aggregate value of all the railroad property in each group. In order to obtain this return, on the present volume of business an increase amounting to 11 per cent in freight rates in the territory west of the Mississippi would be necessary. The railroads, however, are petitioning for an increase of 5 per cent. While the justice of an increase in freight rates, especially for the roads in the northwest, cannot be denied, vigorous opposition is already being manifested and the efforts of the roads to obtain relief will be met with determined resistance from many quarters.

### The Potter Plan

The Hon. Mark W. Potter, formerly a member of the Interstate Commerce Commission and now one of the receivers of the Chicago, Milwaukee & St. Paul Railway, has proposed an interesting plan for increased rates under a pooling arrangement. Briefly, he proposes that the proceeds of the rate increase be segregated and redistributed among the western carriers in proportion as each carrier shows a deficiency below the 5¾ per cent return. On the basis of 1924 earnings, an increase in net of $181,000,000 would have been required to give a return of 5¾ per cent.

There are 64 railroads in the western district, only 11 of which earned more than 5¾ per cent. These 11 roads are among the smaller properties. The deficiency is borne by the remaining 53 carriers in varying amounts. Following is a table showing, for selected roads, the percentage they earn on their investment, the deficit in earning the 5¾ per cent return and the percentage of that deficit to the total deficit:

| | Per cent Earned | Deficit Below 5¾% | Per cent of Total Deficit |
|---|---|---|---|
| Atchison, Topeka & Santa Fe | 5.25% | $4,480,000 | 2.47% |
| Chic., Milwaukee & St. Paul | 2.59% | 23,140,000 | 12.76% |
| Chicago & Northwestern | 3.36% | 11,940,000 | 6.58% |
| Northern Pacific | 3.46% | 13,115,000 | 7.23% |
| Southern Pacific | 4.10% | 19,990,000 | 11.02% |
| Union Pacific | 4.58% | 9,750,000 | 5.36% |
| All Western Railroads | 3.91% | $181,400,000 | 100. % |

If the Interstate Commerce Commission should authorize a 5 per cent increase in freight rates, the revenues flowing therefrom, on the basis of 1924 business, would be $82,000,000. Unless this increase is pooled, Mr. Potter points out, the effect will be that instead of 11 carriers earning over 5¾ per cent, there will be 29, or in other words, that too much of the increase will go to carriers not really needing it.

Under the proposed plan of segregating and pooling the increase, the $82,000,000 will be divided among the roads earning under 5¾ per cent, according to the percentage of each road's deficit. To illustrate: The Chicago, Milwaukee & St. Paul would receive 12.76 per cent of the pooled earnings, or $10,493,000, whereas under a 5 per cent increase not pooled, its net would be increased by only $6,000,000. The Northern Pacific would receive 7.23 per cent of the money in the pool, or $5,900,000, but would only benefit to the extent of $3,600,000 by the straight increase. The Atchison, Topeka & Santa Fe, however, would receive $8,400,000 from a 5 per cent increase, but would retain only $2,000,000 of this amount under the pooling plan.

Certain strong roads, perhaps, are in no need of any increase in freight rates, but the western carriers, considered as a group, do need increased rates very badly. The Potter plan offers the strong roads an increase of, say, one dollar on condition that forty or fifty cents of the dollar is surrendered. Mr. Potter argues that an increase of 5 per cent so segregated, pooled and distributed, would bring about a fair balance of prosperity among all carriers, would better stabilize and recognize security values and accomplish more effectually than is possible under the practice which has heretofore prevailed, the cardinal purpose of the Transportation act of 1920.

Most of the western roads have not received the plan with enthusiasm, regarding it as another step in the invasion of property rights, and, under the Interstate Commerce law, the pooling of earnings can only be accomplished with the consent of the carriers. The effort to increase freight rates, therefore, seems likely to precipitate a clash among the railroads themselves.

### The Hoch-Smith Resolution

The situation is further complicated by the fact that in the last session of Congress, a joint resolution directed the Interstate Commerce Commission to investigate the entire rate structure of the country with a view to more favorable treatment of agricultural products. The language of the resolution is, that—

> **In view of the existing depression in agriculture, the Commission is hereby directed to effect with the least practicable delay such lawful changes in the rate structure of the country as will promote the freedom of movement by common carriers of the products of agriculture affected by that depression, including live stock, at the lowest possible lawful rates compatible with the maintenance of adequate transportation service.**

This resolution must be interpreted in connection with the Transportation Act which requires that rates be fixed to assure a fair return upon railroad property, and undoubtedly contemplates that any loss of revenues occasioned by a reduction of rates upon agricultural products shall be compensated if need be by increases upon other commodities.

There are practical difficulties about such a readjustment, particularly in the case of the transcontinental railroads. Their through business is in competition with the Panama Canal, and any increase of rates upon it will drive more of it to the Canal, which already has seriously affected their earnings. Indeed, they have petitioned for the privilege of making lower rates on this business in order to increase their revenues. They would be better able to grant lower rates on agricultural products over the intermediate hauls if permitted to do a larger through business at lower rates, but the importance of volume of traffic over a railroad apparently is not appreciated by the general public or by the Congress as it is by traffic men. The competition of the Canadian railroads on through business also must be considered.

Such commodities as coal, ore, lumber, ties, timber and other natural products are just as much in need of low rates as the products of agriculture. Freight charges upon them for long hauls are an even larger percentage of their value than upon grain and live stock, and may be prohibitive.

When agricultural products, natural products and through business are eliminated what is left of freight traffic on the western railroads is simply incoming merchandise for the people who live in that territory, and the net benefits to them from any shifts such as suggested would be very small.

#### The St. Paul Reorganization

In view of the probability that a protracted controversy over freight rates is in prospect, the suggestion that the Chicago, Milwaukee & St. Paul Railway should not be reorganized until the Commerce Commission has reached its decision in the premises, does not appear wise. The reorganization of a great property like the St. Paul in the normal course of events must consume many months at best, and if nothing is done until the Commission has decided the pending case, several years may elapse before the present junior bondholders could receive any income. The St. Paul should be reorganized promptly and so conservatively that it will be able to survive a repetition of the recent hard times.

Under the plan for reorganization which Messrs. Kuhn, Loeb & Co. and The National City Company have promulgated, the new fixed charges will be about $11,500,000 per annum. The net earnings available for fixed charges for 1925 have been estimated by the engineers at $17,500,000. In other words, the new company will show earnings of approximately 1¾ times fixed charges. If the Commission should authorize a flat increase of 5 per cent, the fixed charges of the new company should be earned about twice over, and under the pooled increase, about 2.3 times. However, roads like the Burlington, Union Pacific and Santa Fe earn their fixed charges three times and more over. Therefore, even if an increase in rates were granted at once, it would not be sound judgment to modify the plan in the way of increasing the fixed interest charges. The interest charges can not be paid unless they are earned, and if earnings increase so that interest can be paid the bondholders affected will get larger returns under the reorganization plan than on their present holdings.

#### Position of the Adjustment Bonds

When the present plan is carried out, the junior bonds of the old company will receive, par for par, a new Adjustment Mortgage bond which is entitled to interest, dependent upon earnings, from February 1, 1925. It is the clear intention of the reorganization managers that the new Adjustment bonds shall receive the maximum interest in each year consistent with earnings and the maintenance of the company's credit. Hence it is provided that the board of directors must pay to the bondholders in each year at least one-half of the net earnings remaining after payment of the underlying charges, and the maximum amount which the directors may withhold in any one year is $5,000,000. In other words, if the company earns $6,000,000 net for the new Adjustment bonds, at least $3,000,000 must be paid to the bondholders, and if the earnings are $12,000,000, not less than $7,000,000 must be distributed, although more may be paid if the directors so decide.

After 1930 the bonds are cumulative at the rate of 5 per cent per annum. Until that time the control of the company is to rest in a voting trust, a majority of whom shall represent the present bondholders, and whose desire will be to pay on the Adjustment bonds as large an amount as is consistent. If any increase in rates is received the new Adjustment mortgage bonds will be the first to benefit thereby and it is as reasonably certain as any forecast can be in such matters that form the completion of the reorganization as prepared, even without a rate-increase, the holders of Adjustment bonds will receive at least a portion of the interest accruing upon them.

#### The New Assessment Bonds

The question has been asked, why do the bonds which will be received by the stockholders of the St. Paul in payment for their assessment rank senior in lien to the new Adjustment bonds?

The stockholders' assessment amounts to $70,000,000 for which $60,000,000 of 5 per cent bonds are to be issued. The stockholder paying his assessment will also receive a like amount of shares in the new company as he held in the old company. The purpose of the assessment is primarily to liquidate $55,000,000 of loans held by the United States Government. The loans are secured by $18,000,000 of the St. Paul's General, now First, Mortgage Bonds, and $73,000,000 of the Refunding bonds. It is manifest, therefore, that the Government is protected by a large amount of collateral. If the notes to the Government are not liquidated at the time of reorganization, they must be continued as interest bearing debt and thus outrank the new Adjustment bonds. Provision would have to be made for their ultimate liquidation through the sale of the new First and Refunding Mortgage, which the plan of reorganization reserves for the raising of new capital in the future. The plan simply accomplishes a transfer of the debt from the hands of the Government to the hands of the stockholders by the sale to the latter of the new 5 per cent bonds. It would appear that to liquidate a debt of $55,000,000 under this plan is a far less expensive refunding than the new company could hope to accomplish in the future.

To carry the plan into effect, the co-operation of security holders is essential. As there are $433,000,000 of securities to be disturbed held by many thousands of investors, it is important that the individual holder should not delay in depositing his bonds or stocks, but should act promptly in forwarding his securities to the proper depositary. The reorganiza-

tion managers, Messrs. Kuhn, Loeb & Company and The National City Company, have extended the time for depositing until September 15th.

## Farmers Aid a Railroad

The difference between the attitude of farmers who are wanting to have a railroad built to haul their crops and the attitude of farmers who already have railroads serving their needs, is strikingly illustrated by the two news dispatches which follow:

> Great Falls, Mont.—Because they needed railroad facilities to move their wheat crop, 800 farmers living along the Canadian border in Montana have become stockholders in the Great Northern Railway Company to the extent of more than $250,000. That was the pledge of support they extended the company in order to get it to construct a 50-mile extension westward from Scobey, which in years past claimed the distinction of being the largest initial wheat market in the United States.
>
> Construction is under way, and 25 miles will be ready to handle the 1925 crop. The other 25 miles will be completed in time for the 1926 wheat crop. Indicating the support the farmers gave to the railroad in this work, it should be stated that the stock was sold them at a par value of $100 when it could have been bought in the open market for $69. The new line will be built to Peerless this year, and when completed it will extend west to Opheim.
>
> Chicago, Ill.—The American Farm Bureau Federation will lead the fight in agricultural states against the proposal for an 11 per cent increase in freight rates by western railroads. A meeting of farm leaders and officials of the American Farm Bureau Federation was held recently, and plans were developed to put the entire resources of th bureau to work to fight the increase. O. E. Bradfute, president of the Federation, in a letter to the state farm bureau presidents wrote: "This is a serious emergency, and demands immediate and energetic action on the part of every unit of the farm bureau organization. Farmers of the West and Midwest are finding the present high rates a real obstacle in the way of their economic recovery. To talk of raising rates is madness."

With the stock of the Great Northern Railroad Company selling on the market much below the price at which it was originally sold to the public, as the result of present earnings and prospects, farmers of Northern Montana subscribed for 2,500 shares at $100 per share, for the sake of getting a branch line built into their locality. The railroad company could not sell its stock to anyone else at $100 per share, but these farmers thought it worth that amount to them under the circumstances. The attention of the Farm Bureau Federation may be very properly invited to the incident. To say that the railroads shall not be permitted to make earnings sufficient to enable them to raise capital on an investment basis may be very appropriately called "madness."

## The British Coal Crisis

The coal industry the world over has been demoralized since the war, largely as a result of the extraordinary stimulus given by the war, but in large part by reason of the fact that the post-war consumption of coal in many countries has fallen below the consumption of pre-war years. An expansion of capacity was followed by a decline of consumption to a volume less than that before the expansion occurred. This has been due to the general decline of industry and trade and in some degree to the development of the use of oil and water in the production of power.

The coal industry is vital to the modern industrial system, for while the use of hydro-electric power is increasing and oil is used to an important extent both for generating steam and in internal combustion engines, coal is still the chief reliance of the industries. Modern life cannot go on without a regular supply of coal. A stoppage of the coal supply means within a short time not only a stoppage of practically all the power-driven industries, including transportation, but in the cities means a stoppage of the water-supplies, with all that this signifies as to the health of the populations. It is needless to dwell upon the appalling consequences which would follow upon a prolonged stoppage of coal-mining.

Furthermore, coal-mining is a technical industry, which can be carried on only by experienced workers, who comprise a relatively small portion of the population. Undoubtedly the miners have it in their power, if agreed, to shut off the supply of coal when they please. The population depends upon them to provide this service regularly, as it depends upon the workers in every other specialized employment to perform the particular tasks which they have assumed. This mutual dependence is an unavoidable condition of highly developed modern society, and of social life above the conditions which prevail in very primitive society. Of necessity it implies mutual obligations, and there is no reason for assuming that the coal-miners as a group do not understand and acknowledge these obligations, but they have an exceptionally strong bargaining position, and are tempted to use it with great determination where they think their claims justify that policy. Unfortunately, men are not always wise and fair judges where their rights conflict with the rights of others.

### The British Situation

The coal industry is especially important in the economy of Great Britain. It has been the basis of her industrial development and a large factor in her great foreign trade. She has been the greatest exporter of coal, and it has been an important factor in her trade, making up the balance between the bulky raw materials and foodstuffs which she imports and the more highly valued but less bulky manufactures which comprise her other exports. Her coal exports have played an important part in bearing the cost of maintaining her shipping facilities.

Even before the war the Government had intervened in disputes between the coal operators and the employes, passing a minimum wage act in 1912, and since then the Government has been deeply involved in the industry's troubles. It exercised general control during the war, fixing wages and prices, and when it undertook to relieve itself of these responsibilities in 1921, a strike lasting several months ensued. It had to appropriate about $50,000,000 at that time to accomplish the settlement. Fortunately, a settlement was reached before industrial conditions became extremely critical. Early in 1923 the British situation was temporarily improved by the suspension of mining operations in the Ruhr, incidental to the French occupation. Not only did German coal cease to compete in outside markets, but Germany imported British coal on a considerable scale. This suspension in the Ruhr, however, stimulated mining development in other parts of Germany and in this way contributed to make the situation worse when general resumption came.

The French coal mines in the occupied territory were destroyed, but now have been brought back into production with the most modern equipment. An Englishman describes one of the new properties in a recent letter to the London Times as follows:

> Recently I visited the colliery town of Lens in Northern France, where everything—pits, plant, factories and houses—was utterly destroyed by the Germans. Today the Compagni des Mines de Lens have erected a completely new installation. They have 17 winding shafts with an output already reaching 235,000 tons per month; the latest thing in coke ovens, using up all the "slack" or small coal produced and turning out already 20,000 tons a month with great increases arranged for; works for tar distillation, the manufacture of sulphuric acid, synthetic ammonia, sulphate of ammonia, petrol and various other by-products. Parenthetically they have built 36,000 quite excellent houses and also schools and halls, and developed a really civilized life for their workmen and their families. The men work eight hours a day, six days a week, and earn about 180f. (less than $9) a week—with houses at 6f. to 14f. ($3 to $7) a month. It is on these lines that the industry ought to be run—and can be, if capital is not frightened away by the fear of political insecurity.

With the resumption of mining in the Ruhr, the demand for British coal fell off, and the situation became critical. In June, 1924, a new agreement was entered upon, the principal features of which were a division of the country into mining districts, with an arrangement for dividing the net proceeds of operations in each district, after first paying expenses other than wages, on the basis of 87 per cent to labor and 13 per cent to the owners, but with a minimum wage provision. During the past year business has been so bad that the owners last June gave the notice of 30 days required to terminate the agreement, affirming that the minimum wage provisions had become too burdensome to be borne. They urged that the law limiting work in the mines to 7 hours per day be repealed and that the miners accept a return to the 8-hour day. The miners refused to negotiate unless the operators first would withdraw the notice abrogating the existing agreement.

### A Government Inquiry

When it became apparent that there was little prospect of an agreement the Government instituted an inquiry under the Industrial Courts Act. The miners declined to appear unless the operators would first withdraw the notice of abrogation, but the Court proceeded to make a hasty inquiry and report its activities, occupying only a week.

Existing conditions in the industry are indicated by these extracts from the report:

> That the industry, in common with others, is experiencing a period of acute depression, is a point upon which the mine owners and the mine workers are in complete agreement, as appears from the proceedings of the joint committee. Indeed, the statistical information placed before us to this effect cannot be challenged. While the consumption of inland coal in 1924 as contrasted with the consumption in 1913, instead of expanding with the growth of population, has receded by some four million tons, due to the falling off in the quantity used in the heavy industries, the decline in the export of coal can only be described as a slump. In 1913 over 73 million tons were exported, while in 1924 the comparable figure had fallen below 60 million tons, and for 1925 the total estimated figure based on the first six months' experience is under 50 million tons, an estimate which we were informed is unlikely to be realized owing to the continuing drop in the market.
>
> The causes of the decline in the demand for British coal are manifold. The general depression and disturbance of trade consequent upon the war is probably the most pervasive, a feature of this being the decreased purchasing power of the customers abroad. Other causes are to be found in the substitution of oil for coal in ships, in the growth of hydro-electric power, and conspicuously in the great increase of coal production in countries which were formerly our best customers. Competition by countries which have been able to undersell British coal has told heavily against the industry. Some of these causes must continue to operate more or less permanently in future. There is every indication that the world's total consumption of coal has declined, but what is much more serious from our point of view is that Great Britain's share of the supply abroad has decreased in far greater proportion.
>
> The effect upon the coal industry in this country of the greatly diminished demand, accompanied by a marked decline in the prices obtainable for export coal, has been such that many collieries have of late been carried on at a loss, while others, unable to continue the struggle, have closed down. Figures were put before us which went to show that, of the six main coal areas of this country, four showed a loss over all per ton commercially disposable for the year to April 30, 1925, while the Eastern Area alone showed a substantial credit balance. During the period from June, 1924, to July, 1925, no fewer than 508 mines were closed and not reopened, involving 110,483 wage-earners, while only 96 mines, employing 8,522 wage-earners, were opened or reopened.
>
> The number of collieries producing at a loss rose in April to over 64 per cent, and in May to nearly 67 per cent. The amount of coal raised by such collieries in May reached 60 per cent, being 11.8 millions, against 7.9 raised by collieries with credit balances. There is nothing in the seasonal nature of the industry which would account for a drop of this order.

#### Costs of Production

> The high cost of the production of coal, to which the Mining Association largely attributes the decline of the industry, is undoubtedly an important factor,

and even if in this, as well as in other respects, the symptoms from which the industry is suffering are characteristic of the economic position generally and are not peculiar to the coal industry, that industry by its nature is exceptionally sensitive to such influence. As regards export coal particularly, the trade has been conducted on very narrow margins, and small reductions in cost may make all the difference between securing or failing to secure competitive contracts. The costs of production of coal fall under two heads—viz., wages and costs other than wages. In both respects costs have greatly increased since 1913. A comparative table placed before us showed a rise per ton commercially disposable from 9s. 5.50d. in 1913 to 19s. 0.69d. in May-December, 1924, or 101.49 per cent. On wages the increase was from 6s. 10.50d. to 13s. 6.46d., or 96.92 per cent.

### Arguments of the Operators

The operators submitted figures to show that while the increase of costs was partly in higher wage-rates it resulted largely from the restriction of the time underground. Mr. Lee, Secretary of the operators' association, offered the following table, showing the output of coal per person per shift in the principal coal-producing countries, in 1913, and in 1924-1925 (metric tons):

| | Output per person per shift | | |
|---|---|---|---|
| Producing Country | 1913 | 1924 | Percentage reduction |
| Great Britain | 1.031 | 0.928 | —10 |
| Germany | 0.934 | 0.902 | — 3.4 |
| France (Nord and Pas de Calais) | 0.754 | 0.564 | —25.2 |
| Belgium | 0.525 | 0.476 | — 9.5 |
| Holland | 0.73 | 0.67 * | — 8.2* |
| Czechoslovakia | 0.81 | 0.74 * | — 8.5* |
| Poland—Upper Silesia | 1.149 | 0.970 | —15.5 |
| U.S.A. (Bituminous Mines) | 3.22 | 3.82 † | +18.6 |
| U.S.A., West Virginia (Bituminous Mines) | 3.63 | 4.55 † | +25.3 |

*Figure based upon the year 1923. †Figure for year 1922—the latest available.

Mr. Lee said it would be seen that as a result of their having a shorter work-day than any of their competitors, they had suffered a greater reduction in output per person per shift than any of them. The principal competitor was Germany, and in Germany the reduction was only 3.4 per cent, as compared with 10 per cent in Great Britain. Referring to the electrical and mechanical equipment at collieries in Great Britain, Mr. Lee said the number of coal-cutting machines in use in 1913 was 2,897, and in 1924, 6,830. The total output of coal obtained by machines was 24,369,516 tons in 1913, and 49,910,559 tons in 1924.

The argument of the operators' representative was summed up as follows:

He added that at the prices which were prevailing today in the export market, and which were well below the cost of production in the exporting districts, they were continuing to lose contracts abroad which were being taken by German and American coals, and this fact alone disposed of the suggestion that the depressed financial condition of the industry was a consequence of unnecessary cutting of prices. The truth that must be faced was that the health of the coal industry in this country, and indeed of the industries of the country as a whole, required that the price of coal should be reduced to a point which would enable the industries successfully to meet foreign competition. It was only by thus enlarging the volume of business that the coal industry, in common with the other industries of the country, could hope to provide full employment for those engaged in it and to assist in absorbing into industry the large number of workers who today found themselves out of employment. Such an increase in the volume of production would at the same time bring about a reduction in the cost of living. It was, in short, the only practicable means by which a reasonable standard of living could be maintained. The possibility of providing a greater amount of revenue for the payment of wages in the coal industry by increasing prices must therefore be ruled out. The effect would simply be to restrict the consumption of coal and to reduce the aggregate amount available for the payment of wages. After six years' experience of the shorter working day, and in spite of a large expenditure of capital with a view to increasing the rate of output, the output per person per shift remained more than 11 per cent below that of 1913. The present statutory hours underground only gave on the average an effective working time of about 5½ hours at the coal face.

Although in four of the mining districts out of the six the net results this year have shown losses, there are many collieries in which wages and profits are satisfactory, short time being the main cause of distress where it exists. Naturally, the low cost mines take the bulk of the business in the restricted market. The Court refers to these varying conditions in the following paragraph:

So far we have been speaking of the industry as if it were a single concern, but, in point of fact, it consists of some 3,000 collieries whose financial positions vary widely. Thus the wage which can be paid on an economic basis at one colliery may be substantially larger than that which can be paid at another. Collieries are good, bad and indifferent from the paying point of view. It may be, therefore, that a restriction of the industry to those undertakings which can afford, on an economic basis, to pay wages upon which the worker can reasonably be asked to live, and the elimination of the undertakings which cannot pay such wages, is, theoretically, the appropriate solution. But the full reactions of this step would extend far beyond the industry itself and have serious consequences for the country as well as for the large body of workers who would be thrown out of employment. Wider considerations thus arise at this stage.

One general conclusion has been forced upon us by our investigation. The present crisis in the industry, unlike other crises which have arisen in the past, is, to a large extent, the creation of neither party to the dispute. It has arisen in the main from without, and is due to causes not within the control of either party. These causes are to be found in the operation of national and international disturbances and dislocations, which are the inevitable sequel of the economic upheaval due to the war. They are causes which may continue to operate for a considerable time to come. In such a crisis it is, perhaps, not unnatural that each party should seek to transfer to the other as much as possible of the consequences of the common calamity. But just because the calamity is a common one, not primarily due to the fault of either, we venture to think that in taking common counsel together the parties are most likely to find a means of averting its worst consequences.

The finding of the Court of Inquiry was an inconclusive one. It favored the miners in disapproving of the total abolition of the minimum wage and indicated that the possibility of relief for the closed mines through consolidations with more prosperous ones should be explored, and suggested possible economies in the distribution of coal. It said that the time available had been wholly inadequate for an exhaustive inquiry, and that it had been without the help of co-operation by the miners.

### Trade Union Support

This report was rendered on July 28, while the strike was to go into effect on July 31 at midnight. Meanwhile, the railway unions and all of the unions having membership in the Trades Union Congress had openly committed themselves to the cause of the miners. The following instructions to the unions were issued under the authority of the Trades Union Congress General Council and of the executive committees of the railway and transport unions to rail and transport workers:

**Railways**

1. Wagons [cars] containing coal must not be attached to any train after midnight on Friday, July 31, and after this time wagons of coal must not be supplied to any industrial or commercial concern or put on the tip roads at docks for the coaling of ships.
2. All coal en route at midnight on Friday to be worked forward to the next siding suitable for storing it.
3. Any coal either in wagons or stock at a depot may be utilized at that depot for the purpose of coaling engines for passenger and goods trains, but must not be moved from that depot to another, docks, wharves, etc.

**Coal Exports**

All tippers and trimmers will cease work at the end of the second shift on July 31.

**Coal Imports**

On no account may import coal be handled from July 31.

**Watermen and Docks**

All the men on canals, waterways, etc., engaged in carrying coal will cease on Friday midnight, with the exception of men with coal en route, who will be allowed to take it to their destination and tie up.

**Road Transport**

All men engaged in delivering coal to commercial and industrial concerns will cease on Friday night, July 31. Men delivering for domestic purposes will cease at 12 noon on Saturday, August 1.

It is said that this united action of the unions was prompted by a general belief throughout the membership that if the mine operators were successful in reducing wages a general attack upon wages in the other industries would follow. The railway unions already had proposals for a wage-reduction before them.

### The Government's Action

Unquestionably the government faced an extraordinary emergency. That the unions had the power to inflict incalculable injury upon the country, and had resolved to do so unless the government intervened to satisfy their demands in some degree, was evident.

Opinions will differ as to the wisdom of the government's action, but the Prime Minister, Mr. Baldwin, decided that another effort, even at heavy cost to the public treasury, should be made to accomplish a settlement. He knew that he would be criticised as yielding to a threat, always a dangerous thing for a government to do, but as a large employer in the steel industry he has a record of having always shown great respect and consideration for his own employes; that is his attitude of mind in dealing with labor questions, and he recognized that he was dealing with men of sincerity and good purposes, even though mistaken in their understanding and policies. He felt that negotiations should be prolonged, and the character of the report of the Court of Inquiry supported this view. No doubt he held also the hope that with signs of improving conditions abroad, revival might come to British industries and the problem be solved in that way. He proposed to the mine-owners' association that it should withdraw the notice of abrogation, upon the condition that the government would undertake "to assist the industry by filling the gap that lies between the level of wages provided by the minimum provisions of the national wages agreement of 1924 and the lower level of wages which would result from the colliery owners' proposals of July 1 last," pending a "full inquiry," to determine what might be done in the way of "improving the industry's productive efficiency and its competitive power in varied markets." The mine-owners' association accepted the proposal and the miners agreed to continue at work. The vote of the House of Commons upon Mr. Baldwin's proposal was 351 for and 16 against. Prominent members of Mr. Baldwin's party who did not favor it contented themselves with not voting.

In his speech to the House of Commons, bearing every mark of sincerity and profound feeling, Mr. Baldwin said in part:

> But there was undoubtedly, rightly or wrongly, a very deep-seated feeling among the men that there were possibilities, by means which I need not dilate upon now, of effecting economies in the coal industry, and that to ask them to take lower wages until everything had been done in that direction was hardly fair. [Labor cheers.] I do not say for a moment that I accept the whole of that point, but that was a point which was pressed very much. There may be much in what they say, or there may be little, but I felt that I should not have clean hands in allowing the country to enter into a struggle of this nature until once for all I had brushed on one side those claims. For that reason I formed the opinion that evening—and I am glad to think that my colleagues agreed with me—that the fairest thing to do was to have an inquiry to go into all those matters; an inquiry with the widest terms of reference, which we are now considering in consultation with the interested parties; an inquiry to help the industry through by the means described in the White Paper as an emergency, and temporary assistance, until such time, which we estimate as nine months, that our Committee, or Commission, or whatever we may call it, has reported, and the House has been able to give effect to anything which may prove to be necessary and desirable should such things emerge. * * *
>
> I have just one other thing to say before I sit down. We were confronted last week by a great alliance of trade unions who had the power and the will to inflict enormous and irreparable damage on their country. Had a stoppage come, it would, as I said earlier in my speech, have caused an infinite amount of misery in the country. It is apparently with some a deliberate and avowed policy to force a stoppage of this kind on the country, regardless of the suffering, and that is a grave menace. [Labor cries of "No, no," and Ministerial cheers.] I hope the Committee will listen to these few words of mine, because I must say them in my position of responsibility as the First Minister of the Crown. [Cheers.] I think it is a very sad climax to the evolution of popular govern-

ment that there should be men, who have a great deal to gain, whatever they may think, by progressive democracy—it is a sad climax to this evolution of popular government if they allow themselves to be deflected from the natural evolution, and to take a course right against everything for which democracy stands. [Cheers.] I do not know if the policy which I describe is endorsed in all its implications by the whole of the Labor Party, but, if that be so, I do not see how constitutional government can live. [Cheers.] But I have secured at a price a respite during which we can all of us think, and I believe it is a respite which will be of immense value.

I have done my utmost in the last year or two from the deepest conviction to secure industrial peace in this country, and I have done it because I believe that anything else will lead to disaster, in that it is only under peace that we can produce in this country for our dense population and enable them to reach such a degree of comfort and prosperity as every one of us desires that they should reach. But let me say this in conclusion. It is a matter of the will, and just as the will to peace can bring peace, so the will to strife can bring strife. And if the will to strife should temporarily overcome the will to peace—and it would only be temporarily in this country—and if we were again confronted with a challenge of the nature I have described, let me say that no minority in a free country has ever yet coerced the whole community. [Cheers.] The community will always protect itself, for the community must be fed, and it will see that it gets its food. I am convinced that if the time should come when the community has to protect itself, with the full strength of the Government behind it, the community will do so, and the response of the community will astonish the forces of anarchy throughout the world. [Cheers.] I say this entirely in the spirit in which John Bright many years ago warned people about the danger of delaying reform. I say it merely as a warning, and I know that I am stating what is the deep, the fundamental, the widespread instinct and belief of the vast majority of the great and free people who inhabit this country.

Whatever criticism may be directed at the government's action, it cannot be said that the "will to peace" was lacking in the leadership.

#### A Controversy of Universal Interest

We have given the foregoing account of this British controversy because industrial and social conditions are much the same there as in this country. That the industrial workers of any highly organized country have the power to paralyze its industrial life is apparent. Whether they will resort to such means of accomplishing their aims depends mainly upon the extent to which they have a true understanding of conditions, and of their own best interests. If they are convinced that the policies which they urge will not yield the results hoped for, but will prove ruinous to the community, it may be assumed that they will not press them. Their power over the community life is great because of the extent which they and their dependents constitute the community. It follows, however, that of any injury which they inflict they must themselves bear a corresponding share. They are not invaders or outsiders. If the community is to endure suffering, it is inevitable that they and their families must endure most of it, because of their numbers. They have a greater stake in peace and in the orderly and mutually helpful methods of modern industry than any other class.

#### Improvements in Industry

The idea of improving the condition of the workers by improving the organization and methods of industry is not new. The dominating idea in industry everywhere is to find the most economical methods of doing the work in hand. Every individual proprietor is alive to the importance of this, because competition compels him to be. Every process and agency in the industrial and business field is under study all of the time, with a view to its elimination or improvement. The government can do comparatively little.

The chief factor in improving industrial methods is individual initiative. It is of the highest importance to call out this initiative in the whole body of the people, and the most favorable condition for such development has been found to be a state of liberty, with each individual thrown upon his own resources and able to benefit directly by his own efforts and sacrifices. The incentive of personal gain has a universal appeal, and no effective substitute for it has been found, but happily it is not exclusive, for it need not conflict with the incentive of desire to render honest service to the community. These two motives together have impelled and directed the evolution of society, and progress under them never was more rapid than at this time. The wisest and most hopeful leaders of labor do not want to see this process of evolution interrupted. They do not want to see individual character or individual initiative weakened.

That governments may sometimes perform a helpful function in leadership and in co-ordinating and controlling the efforts of individuals may be admitted, but a government cannot supply initiative to the population or direct their industrial activities. It is impossible to have such a concentration of managerial ability as this would require, and the way of social progress does not lie in that direction.

Time is required for all the processes of change, and usually less of it when the processes are natural. One of the great achievements which the Soviet government proposed to accomplish first in Russia was the electrification of the rural districts, giving light, heat and power to the villages and farms. After eight years of that rule the industries of Russia are no where near as productive as they were before, and rural electrification is as much of a dream as ever, while over a great part of the United States rural electrification has become a reality.

#### Nationalization of the Mines

The avowed purpose of the British mine-leaders is nationalization of the mines, a proposal which the mine-owners probably would welcome provided they were given compensa-

tion. The right of private ownership in mineral property has been recognized throughout the past, and the public has been dependent upon private enterprise to supply coal. The mining industry is part of the general system of private industry, and in the opinion of most people no part of the system should be changed without giving just compensation where property is taken for public use. It is highly improbable, moreover, that government ownership and management of coal mines would prove of any advantage to the public or the miners. The general idea is that the income of all mines might be pooled, making the profitable ones carry the others, but in so far as this would continue economic losses it would be unsound policy. It is not sound policy to expend any labor in the production of something that is not worth its cost.

It is not improbable that some economies might be accomplished by consolidations, and they probably would be effected if the industry was let alone. It is said in some quarters that the coal properties should be taken over by other industries to which they are necessary, as for instance the iron and steel industries, but the latter are having all they can do to survive with coal at present prices, and are not in position to pay more for coal than the competitors whom they must meet in foreign markets.

### The Motive in Appealing for Government Aid

Attempts to substitute government management for individual initiative usually have their origin in the desire of some group to escape from the uncomfortable competition to which some other group is subjecting it. There is a natural inclination in every group which finds itself under pressure to appeal to the government for aid, rather than to make a study of the conditions which are pinching, with a view to adjusting themselves and their policies to new conditions which may have developed. Thus a certain farmer bloc in the United States has been insisting that the only remedy for the low prices arising from the revival of agricultural production in Europe was government aid of some kind, and it is by no means improbable that if it had possessed the power to bring to bear some such pressure as the labor unions of Great Britain have used upon that government, it would have done so. Happily, the agricultural crisis in this country is passing, because the great body of farmers have taken steps to adapt their farming operations to post-war conditions.

### Individuals Must Conform to Inevitable Conditions

Everybody is under obligations to adjust himself to general conditions which make for the public welfare. Nobody has a right to say that he is entitled to a living in any particular place or at any particular kind of work, or according to an ideal standard, if general conditions which are unchangeable determine that his services are not required there or on those terms. The carriage builders of thirty years ago have had to become automobile builders if they wanted to stay in the vehicle business. Farmers must take account of what other farmers are growing and keep up with improved methods of cultivation and breeding if they want to remain farmers. Coal miners everywhere must take account of the fact that mining costs vary in different fields, that improvements in machinery affect mining costs, that other sources of power exist, and that consumers will draw upon the most economical source.

There is nothing to complain of in these conditions. All industry is subject to similar conditions, and progress is made by conforming to them, not by ignoring them. The testimony before the Court of Inquiry indicates that the production of bituminous coal in the United States is more than four times as much per man as in England. The Court in its opinion says that the geological formation is dissimilar, but if the geological formation handicaps England in competition that fact will have to be recognized.

It cannot be said that low wages account for any loss of British coal trade to the United States, for mining wages are much higher here than in Great Britain. Incidentally, it may be said that in the fiscal year just closed the United States exported 845,767 tons of bituminous coal to Italy, 236,398 to France and 704,035 to Brazil, to none of which countries did it export any coal in 1913. The amounts are not very important, but with competition cutting in on all sides every loss is felt.

### Necessity for Adjustments After the War

The fundamental industrial problem is that of making the adjustments which are necessary to suit changing conditions. Any group which is uncompromising in its determination to make its own terms obstructs the flow of the exchanges and finds itself under pressure from economic forces.

Adjustments always are in process, and the equilibrium is never perfectly maintained, but it was inevitable that following the great war, with its violent effects upon industry, the necessary adjustments should require more consideration and patience than those of ordinary times. The fact has been familiar to all students of trade conditions that the failure of the highly organized industries, in which extraordinary wage-advances were made during the war, to reduce the prices of their products in correspondence with the reductions which have occurred in other industries, notably agriculture, has limited the consumption of their

own products, depressed industry in many lines and retarded the recovery of trade. Here is the real explanation of the fact that British exports in 1925 are falling below what they were twelve years ago.

This view has been presented so forcibly by Mr. R. H. Brand, a well-known London banker, that we quote from a recent interview in which he gives specific illustrations. He says:

In 1914 the international trading world was more or less in a state of equilibrium, the conditions, no doubt, constantly shifting and changing, but only slowly and by small degrees. A million strands bound all the different countries together. A million different parts of the great machine had become nicely adjusted to one another, the whole having been slowly built up over a long series of years.

All this delicately-constructed machinery was smashed by the war, and it is yet far from being readjusted. If all the politicians and publics of the different countries concerned had possessed and practiced economic wisdom in the last five years, we should be much further on our way to normal and prosperous conditions. But this is far from having been the case. Not only have we political tension and uncertainty in Europe, and unstable conditions in Russia, China, the Balkans, and elsewhere; not only is there an exaggerated nationalism, which drives each country to try and be a self-supporting unit and build up within its borders industries for which it is not economically suited; not only does Europe suffer from far too high tariffs, and hindrances of all kinds to international trade; not only has the war resulted in some industries, notably the iron and steel, suffering from a great overgrowth. But we have had to undergo the tremendous shocks of huge currency changes in Germany, France, Belgium, Italy and elsewhere, which have perhaps been the most disturbing factor of all. Wherever you look, there are still maladjustments from the war.

Take, for instance, the abnormal conditions surrounding the wages of skilled and unskilled workmen in this country, and the sheltered and unsheltered industries. Take the case I heard mentioned the other day, that, while the price of Lancashire textiles used by the Indians and Chinese is about 260 now as against 100 before the war, the price of the raw materials and food, etc., which these latter produce is only about 140 as against 100. How can they be expected to buy as much as they did before, when they have to produce about twice as much in exchange? Take, again, the fact that at the present moment currency depreciation in France and Belgium is enabling their industrial products to be sold much below anything that we here, or even the Germans, can compete with, although, no doubt, in reality at a loss to the selling countries, just as happened in Germany during inflation. Wherever you look you see these disharmonies, this lack of equilibrium and stability. It is this that in my view is mainly responsible for the world depression.

### A Warning by J. J. Hill

The troubles of British industry, however, have not all developed since the war. In May, 1914, James J. Hill, the railroad builder of the Northwest and a man of remarkable economic grasp, in an address before a national foreign trade convention in Washington, D. C., uttered a warning to British industry in the following language:

Perhaps the most instructive thing in the world would be to consider the means by which so many English markets have been captured by Germany, and why so many have changed their seat from Sheffield and Birmingham to the busy manufacturing towns of the German Empire. The main reason lies in the inability of the English manufacturer to change his working conditions in conformity to general changes that have taken place, beyond his power to arrest or alter, in the markets wherein he must give a free field and can hope for no favor. It must be borne in mind always that the future and, even more and more surely, the present struggle for foreign commerce must be conducted under rules laid down by civilization itself. There can no longer be a scarcity of any commodity in any place on the surface of the globe if a surplus of that commodity is to be found anywhere else on the surface of the globe.

### The Confusion Over Money Wages

The tendency of people to think in terms of money wages or prices, regardless of purchasing value, always has been a great source of confusion in the business world, and it is the chief factor in this wage controversy. The British workers undoubtedly believe with the utmost sincerity that they are fighting to maintain the standard of living, but that is not all there is of the situation. The reductions are intended to make British products move into consumption, increase production, give continuity of employment with larger actual wage payments, and reduce the cost of living. These results if realized would permanently improve all social conditions.

Sir Josiah C. Stamp, a member of the Court of Inquiry in the coal case, added to the opinion of the Court a personal note in which he expressed the view that the restoration of the British currency to the gold value had increased the cost of British coal and other products to foreign purchasers, and to this extent had been a factor in the falling off of business.

It is true that taking this effect by itself it may be considered a factor in the situation. It is bad to have any change in the value of money, and the main argument in behalf of the resumption of gold payments in Great Britain and every other country has been that it was a necessary step to secure stability in exchange relations and a firm basis for trade. This is the explanation of the whole movement back to the gold standard.

The immediate effect of raising the British currency to gold would be the reverse of the influence of the decline of the franc upon French exports during the past year. The latter undoubtedly stimulated French exports, but it increased the cost of imports and increased the cost of living, with the result that many wage controversies have occurred in France. That the falling value of the old German currency made it easier for foreigners to buy German goods is well known, but no class of people in Germany were more eager for the country to get back on a gold basis than the wage-earners.

Moreover, the advance of British currency to the gold value had a direct effect in cheapening the cost of all foodstuffs and other imported products to the entire population. Scarcely more than a year ago Great Britain

was paying a premium of about 10 per cent over the gold price of all purchases made in the United States, and the working-man was paying it in the price of his bread and bacon.

The argument against gold resumption consists in taking account of part of the effects and ignoring the others. There are readjustments to be made both ways in getting the trade of the world back upon a common level and into balanced relations, but on the whole they are beneficial to all concerned, and must be made to restore general prosperity.

### Labor Spokesmen

There is some evidence that the more conservative leaders in organized labor and in the Labor party feel that the success of the "hold-up" policy has strengthened the influence of the radical element with whom they are contending in the labor ranks. George Nicoll Barnes, who served as Labor member of the House of Commons for Glasgow from 1906 to 1922, and who for many years has taken an active part in the co-operative movement, is quoted as saying that when years ago he helped organize the unskilled workers, he never foresaw that they one day would "take the community by the throat."

He added:

> In view of what happened last week, the community must in some way reassert itself and become the top dog. The Red element, although very small in number, has assumed the direction. It is represented only to a small extent among the positions of authority in the trade unions, but the leaders are being dragged along by it.

Mr. James H. Thomas, head of the railway unions and Secretary for the Colonies in the late Labor Cabinet, in a talk to the railway men confessed that he was far from happy over the "magnificent victory." He is reported as follows:

> He considered nothing more dangerous for the future of the country than that the employers and the Government were compelled to concede through force what they refused to concede through reason. He criticized particularly the subsidy not only as wrong in itself, but leading in the end to inevitable ruin for the country, for if a subsidy is granted one industry why not to another?

Ramsay MacDonald, former Prime Minister and nominal head of the Labor party, commenting on what he termed the Government's surrender to the mine owners, declared the Government had come to a sound conclusion "by a way abominably bad."

He said the Government had handed over at least the appearance of a victory "to the very forces that sane Socialism felt to be probably its greatest enemy, and in fact and in substance by its general policy had sided with the wildest Bolshevik."

Mr. MacDonald's criticism must be accepted as from one who believes that the government, instead of being reluctant to interfere in a wage-dispute, should have been active in arranging to take over the mines. Here is the opening paragraph of a report of another speech:

> Mr. Ramsay MacDonald, speaking at Sandfields, in his constituency, last night, said he had come straight from London, where yesterday he was engaged the whole day in work connected with bringing about peace in the coal situation. There in those valleys good decent men and women were struggling with a poverty that seemed to get deeper and deeper, and that not because there was no coal, not because there was no demand, not because the men would not work, but all because the system under which they had been living was hopelessly breaking down. Private enterprise and ownership in coal was failing to supply a decent livelihood to the people or the security of a supply to the nation.

This is a characteristic socialist criticism of the existing industrial system. It is said to have "broken down" because certain elements in it refuse, under the liberty which it grants, to give that voluntary cooperation which is necessary to the successful operation of any highly organized and interdependent industrial system. If there is liberty, there must be intelligent and voluntary cooperation. If men specialize in different industries and exchange services, they must be sufficiently conciliatory and reasonable to find a mutually satisfactory basis for such exchanges.

Under no system would it be practicable for groups controlling services which are vital to community life to arbitrarily fix their own terms of compensation under the threat of ruin to the community. If the coal strike shows anything to have broken down it is the system of interdependent, cooperative, industry with free bargaining power, which has been fondly believed to be the crowning achievement of social progress.

### What Constitutes War?

The world is supposed to have its heart set on abolishing war. Organized labor has expressed itself with great vigor and frequency as opposed to war and this is a hopeful sign; but the objectionable thing in war is the exercise of force as the means of imposing the will of one party upon another, and it is evident that a strike which cuts off supplies of coal, water and food from great populations is no less deadly in its effects, no less terrible and no less an act of war than a blockade, seige or bombardment. It is not a method of settling disputes that is consistent with the modern system of industry or with organized or civilized society.

Mr. Cook, Secretary of the British Miners Federation, is quoted as saying:

> I certainly will never advocate armed revolution. A folded-arm strike is by no means the same thing.

He makes a distinction in the uses of force where there is no real difference. Moreover, there is reason to think that if his policy was falling short of success, many of his own followers would fail to make the distinction.

## The Coal Industry in U. S.

The coal industry in the United States probably is not as badly off on the whole as in England, but the bituminous industry is suffering from some of the conditions which affect it there. Over-expansion is a factor here as in Europe, irregular industrial operations affect consumption, and other sources of power are another factor. Here as there the industries would run more steadily and consume more coal if industrial costs were lower, and among these costs coal is one of the most important.

It is evident that the attempt to maintain the Jacksonville scale has subjected the industry to great stress. Mr. Lewis, head of the union, complains bitterly that large companies after signing the Jacksonville scale are ignoring it and operating on a lower basis. It is unfortunate to have any question arise on either side as to non-fulfillment of engagements betwen employers and employes. That the situation is a difficult one, however, is evident from the controversy between the United Mine workers and the Brotherhood of Locomotive Engineers. It cannot be supposed that the engineers have any wish to disregard the miners' union scale or break down labor standards.

There are some obligations outside of the agreement. The union is bound to show some consideration for the companies that honestly endeavor to work with it, but find themselves practically forced out of business, although under heavy fixed charges, because they cannot sell coal mined at the union scale. It is impossible to conduct business at a loss indefinitely, and other corporation officials have the same feeling about wasting their stockholders' assets that Warren S. Stone and his fellow-officials of the Brotherhood felt. When union officials enlist the cooperation of business men it must be for practical policies. They owe a like obligation to the rank and file of the union in appealing to their loyalty.

### Working Results of the High Scale

In the case of the glass-workers, mentioned elsewhere, the union officials took the initiative for the protection of friendly employes and their own members. In the coal industry it is said that in many instances the miners have been forced by their necessities to either go to non-union districts for work or petition their employers, who had signed the scale but were unable to do business, to open the mines on the non-union basis. Beyond question the amount of non-union coal being raised has largely increased.

It is recognized that the industry is over-developed and that many mines should be definitely closed, in order to give greater stability to the industry and steadier employment to the workers. Upon that basis wages could be lower and coal made cheaper without loss of earnings to the men, but how to accomplish the necessary eliminations is an unsolved problem. It has been said that one theory upon which the Jacksonville scale was urged was that the high level of costs would close many mines, and so it has, but they have been mines which attempted to pay the scale. The scale was so high as to put a premium on "boot-legging" in the industry. And yet, although the price of coal to consumers is affected by the increasing non-union operations, the full benefit of a uniformly lower scale is not obtained. All industry would be stimulated by a settlement of the bituminous controversy on a basis which would yield good pay for regular work.

### The Anthracite Situation

The anthracite situation is one to which the public is becoming hardened. It is not so complicated as that of the bituminous fields, there is not the overdevelopment or irregularity of employment. The miners have wages which must be reckoned as high in comparison either with wages in other industries or with all past records in the anthracite industry. The operators offer to arbitrate the issues, but the miners' officials refuse on the ground that they always get the worst of arbitration, which being interpreted means that they believe they can force the acceptance of their own terms.

As usual, there is talk of government intervention, but this never has produced any result except in compelling the operators to make concessions which in turn were made good to them by the public. Does the public want more concessions on that basis, and what reason is there for thinking that any concession will not lead to further demands? Nobody who understands the situation believes that it is practicable to increase the cost of mining coal without adding the increase to the price. There may be mines which could stand an increase of costs, but a general increase without a corresponding rise of prices, would put the high-cost mines out of business, which would diminish the supply and inevitably raise prices.

### The Federal Trade Commission on the Scene

The Federal Trade Commission has projected itself into the situation with a disquisition upon the lack of competition in the anthracite industry. It leads the reader to wonder what the Commission thinks of competition in the bituminous industry, and how far it would like to see the conditions prevailing there repeated in the anthracite field. The matter over which it manifests the most concern seems to be certain resales of coal between dealers, which occurred in the period of scarcity following the

last strike. These transfers have about as much significance as the fact that the yearly turnover of wheat on the Chicago market is larger than the annual crop. There are people who think that this wheat turnover signifies that every sale is made at a profit and that an enormous aggregate of profits is made by these traders, at the expense of the public. Of course it signifies nothing of the kind. The transfer of coal from one dealer to another is less speculative than wheat sales in Chicago, but in time of scarcity signifies nothing but the activity of dealers in procuring supplies for their customers. If dealers cannot get coal from original sources, they will buy it wherever they can find it, including the stocks of other dealers, if the latter will sell to them. It is a very ordinary and usual incident of distribution, but naturally dealers do not buy of each other if they can get supplies from first hands.

## Peace in the Glass Industry

The "Southwest American," published at Fort Smith, Arkansas, in an editorial article several months ago, commenting first upon the paralysis which affected bituminous coal-mining in the Fort Smith district as a result of the Jacksonville wage-scale, called attention to the contrast which was presented to the policy of the American Flint Glass Workers' Union. Upon this the editorial said:

> How differently the mine workers are doing in comparison with the actions of the glass workers under similar conditions. Two years ago the non-union glass factories started a price war. They began getting the business. The union houses were unable to meet the competition. The union men realized this situation. They sent their executives into every state to make first-hand investigations as to causes and conditions and what would be necessary to be done if the workers could be expected to have continuous employment. The factory owners knew nothing of this movement at the time it was being made. After an exhaustive research President Clark of the organization called a conference of delegates from every local to meet with him at Toledo, Ohio. The situation was gone over carefully. It was concluded to report the facts back to the workmen and leave the decision to a referendum vote as to the course to be pursued. The men, by a large majority, voted to voluntarily reduce their pay 42 per cent until such time as conditions righted themselves. This new wage adjustment went into effect April 21, 1924.
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> Manufacturers felt under obligations to their employes for this unusual action on their part and kept their plants operating, piling up stock in warehouses when trade demands slacked up. The manufacturers met with the men in Atlantic City the following July to discuss the wage scale. The workmen again came to the bat with the statement another reduction of 20 per cent would be made in their pay if it was necessary to make it, as it had been found the 42 per cent cut had failed to produce the results desired. That was probably the first time in history when employer pleaded with employe not to reduce his rate of wage. That, however, was exactly what took place. The wage of April, 1924, is still in effect.

Moreover, since that editorial was written, the annual convention of the Flint Glass Workers' Union has been held for 1925, meeting at Atlantic City in July, and the wage-scale in force since April, 1924, was readopted for the ensuing year. It has afforded steady employment at living wages to the workers, and they are satisfied that it is a more practical scale for them than one which, while promising more, would embarrass the industry and make employment more uncertain.

## Northwest Dairy Exposition, Minneapolis

Bankers and business men in the Northwest states, realizing the importance of balanced farming, are rallying to assist in the promotion of the Northwest Dairy Exposition to be held with the Minnesota State Fair, September 5 to 12.

Many bank officials are serving on committees of organizations in various communities sponsoring tours of farmers and business men by train and automobile to the exposition.

Hundreds of banks in the Northwest assist the exposition materially in the distribution of Thrift tickets, enabling the farmer to buy his admissions to the State Fair and Dairy Exposition at a saving of twenty-five cents on each ticket. These banks donate their assistance.

Upon the general Northwest Dairy Exposition committee, chosen from seven states by Theodore Christianson, governor of Minnesota and general chairman of the body, there are the presidents of six state banking associations. They are: R. W. Lindeke, Minnesota; C. J. Wohlenberg, Iowa; W. H. Doyle, Wisconsin; Blanding Fisher, North Dakota; Fred B. Stiles, South Dakota, and T. O. Hammond, Montana. In addition to these men is Roy A. Young, governor of the United District Federal Reserve Bank in Minneapolis.